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Debt Statistics

1999/00

BRITISH COLUMBIA

Ministry of Finance
and Corporate Relations

Honourable Paul Ramsey
Minister

100-07164/

Message from the Minister

I am pleased to present the sixth annual *Debt Statistics* report, for the fiscal year 1999/00.

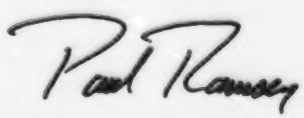
This report is a concise and comprehensive resource for British Columbians interested in knowing what makes up the provincial debt and how their government manages it.

Our goal is to balance the needs of British Columbians for more schools, hospitals and other debt-supported projects, with the need to keep the province's debt at an affordable level.

British Columbia's debt per capita and debt to gross domestic product ratios remain among the lowest in Canada. As a result, British Columbia continues to enjoy one of the highest credit ratings among the provinces, reflecting the strength of our balance sheet and the increasing diversity of the provincial economy.

The Report of the Auditor General, for the year ended March 31, 2000, is included in Section 1. The Auditor General has not been associated with the development of the Five-Year Fiscal Planning Framework. The Framework is the responsibility of the government.

I welcome your comments and suggestions on this edition of *Debt Statistics*.



Paul Ramsey
Minister of Finance and Corporate Relations

PROVINCE OF BRITISH COLUMBIA
DEBT STATISTICS

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The Debt Statistics is also available on the Internet at http://www.fin.gov.bc.ca

Section I

Province of British Columbia Debt Report

Report of the Auditor General of British Columbia

ON THE SUMMARY OF PROVINCIAL NET DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF KEY BENCHMARKS

To the Legislative Assembly
of the Province of British Columbia

The Government of British Columbia, in its Budget '95 (Report E), presented a debt management plan. In that plan, the Government stated that it will annually provide an audited report on its progress in meeting plan goals and benchmarks.

In Budget '97 (Report C), the Government introduced a financial management plan with new benchmarks, to replace its debt management plan. In Budget '98 (Report C) the Government modified the benchmarks in its financial management plan, and in Budget '99 (Report B) it introduced a 5-year fiscal planning framework as a focus of its financial management plan, and again modified benchmarks.

Each year since 1995, at the Minister of Finance and Corporate Relations' request, the Auditor General has provided a special report to the Legislative Assembly on the completeness and accuracy of the three debt related statements prepared by the Government. These statements are the Summary of Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks, through which the Government outlines its management of the provincial debt by comparing the fiscal year's actual results with those of the prior year for provincial debt and its indicators, and to the budgeted indicators and benchmarks.

Consistent with prior years, in these statements, and in budgets, provincial debt includes debt of the government reporting entity as defined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants but does not include amounts borrowed from private lenders directly by School Districts, Universities, Colleges and Institutes, Public Health Care Organizations and Regional Hospital Districts. For the 1999/2000 fiscal year, the outstanding balance of these excluded borrowings amounted to $375 million ($383 million for 1998/1999).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the completeness and accuracy of such information based on the above definition of provincial debt.

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AUDITOR GENERAL'S REPORT
ON THE SUMMARY OF PROVINCIAL NET DEBT,
KEY INDICATORS OF PROVINCIAL DEBT, AND
SUMMARY OF KEY BENCHMARKS

Scope

I examined financial and other information included in the statements titled Summary of Provincial Net Debt as at March 31, 2000, Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2000, and Summary of Key Benchmarks for the Fiscal Year ended March 31, 2000 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by myself or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the statistical data used by the government on the Province's population and gross domestic product; however, I did not perform an audit of such data. I also assessed the appropriateness of the calculation and presentation of the information contained in the statement.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled *Summary of Provincial Net Debt as at March 31, 2000*, *Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2000*, and *Summary of Key Benchmarks for the Fiscal Year ended March 31, 2000* are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a manner consistent with the requirements of the fiscal planning framework.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt or the five-year fiscal planning framework, nor have I audited them. The planning is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of provincial debt as outlined in the preamble to this report.

Wayne Strelioff

Victoria, British Columbia
June 23, 2000

Wayne Strelioff, CA
Auditor General

OFFICE OF THE
Auditor General
of British Columbia

Summary of Provincial Net Debt, Key Indicators of Provincial Debt and Summary of Key Benchmarks

SUMMARY OF PROVINCIAL NET DEBT[1]
As at March 31

	2000	1999
	($ millions)	
Taxpayer-supported Debt		
Provincial government direct operating[2]	13,833	12,190
Education[3]		
Schools	3,609	3,261
Post-secondary institutions	1,369	1,336
	4,978	4,597
Health facilities[3]	1,451	1,282
Highways, ferries and public transit		
BC Transportation Financing Authority	1,843	1,433
British Columbia Ferry Corporation[2]	24	973
British Columbia Transit	79	59
Public transit[3]	952	987
SkyTrain extension[3]	488	133
Rapid Transit Project 2000 Ltd.	101	56
	3,487	3,641
Other		
British Columbia Buildings Corporation	615	715
Social housing[4]	205	183
Homeowner Protection Office	32	11
Universities and colleges	130	137
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)	62	—
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2]	3	29
Local governments	9	10
Other[5]	119	155
	1,175	1,240
Total taxpayer-supported debt	**24,924**	**22,950**
Self-supported debt		
Commercial Crown corporations and agencies		
British Columbia Hydro and Power Authority	6,945	7,474
British Columbia Railway Company	655	607
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[6]	280	221
Columbia Basin Power Company[7]	94	94
Liquor Distribution Branch	3	3
	7,977	8,399
Warehouse borrowing program	1,320	658
Total self-supported debt	**9,297**	**9,057**
Total provincial debt	**34,221**	**32,007**

KEY INDICATORS OF PROVINCIAL DEBT[1]
For the Fiscal Year Ended March 31

	Budget 2000[8]	Actual 2000	Actual 1999
Debt to revenue (per cent)			
Total provincial	113.9	101.6	102.3
Taxpayer-supported	116.9	100.6	98.6
Debt per capita ($)			
Total provincial	8,582	8,506	8,006
Taxpayer-supported	6,472	6,195	5,740
Debt to GDP (per cent)			
Total provincial	31.7	29.9	28.8
Taxpayer-supported	23.9	21.8	20.7
Interest bite (cents per dollar of revenue)			
Total provincial	8.7	7.5	7.8
Taxpayer-supported	8.6	7.1	7.4
Interest costs ($ millions)			
Total provincial	2,640	2,528	2,452
Taxpayer-supported	1,934	1,762	1,723
Interest rate (per cent)			
Taxpayer-supported	7.4	7.4	7.7
Background Information:			
Revenue ($ millions)			
Total provincial	30,489	33,679	31,294
Taxpayer-supported	22,403	24,784	23,285
Total debt ($ millions)			
Total provincial	34,722	34,221	32,007
Taxpayer-supported	26,184	24,924	22,950
Provincial GDP ($ millions)*	109,540	114,480	110,948
Population (thousands at July 1)**	4,046	4,023	3,998

* GDP for the year ending in the fiscal year (e.g. GDP for 1999 is used for the fiscal year ending March 31, 2000). GDP for 1999 is a Ministry of Finance and Corporate Relations estimate (GDP numbers were not available from Statistics Canada at the time of publication).

** Population at July 1st within the fiscal year (e.g. population at July 1, 1999 is used for the fiscal year ending March 31, 2000).

SUMMARY OF KEY BENCHMARKS
For the Fiscal Year Ended March 31, 2000

	2000 Benchmark	2000 Actual
Taxpayer-supported Debt as a Per Cent of Provincial GDP	22.0 to 27.0[9]	21.8
Taxpayer-supported Interest Expense per Dollar of Revenue (cents)	cap of 9.0[9]	7.1

[1] Net debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an account payable. Figures for 1999 provincial net debt and key indicators of provincial debt have been restated to conform with the presentation used for 2000.

[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million).

[3] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[4] Includes the British Columbia Housing Management Commission and Provincial Rental Housing Corporation.

[5] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the Legal Services Society, Pacific National Exhibition, Okanagan Valley Tree Fruit Authority and Tourism British Columbia.

[6] Although the debt of 552513 British Columbia Ltd. (Skeena Cellulose Inc.) is considered to be self-supported, future profitability is uncertain due to volatility of world pulp prices and their potential impact on Skeena Cellulose Inc. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

[7] Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

[8] Figures presented in the *Budget '99 Reports* document.

[9] Benchmark presented in the *Budget '98 Reports* document was retained by government for fiscal 1999/00.

Section II

Debt Statistics Report

(unaudited)

Overview of Provincial Debt

The provincial government and its Crown corporations incur debt to finance operations and capital projects. The provincial government also provides financings to other organizations including some local government agencies. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads and other social and economic capital assets. Similar to many private sector institutions, the government borrows to fund these projects and amortizes the costs over the asset's useful life.

Provincial net debt falls into two categories: taxpayer-supported and self-supported.

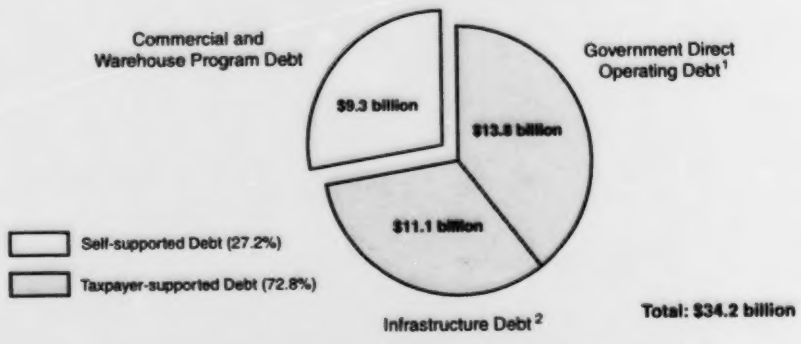
Taxpayer-supported debt includes government direct debt, which is incurred for government operations and capital purposes, and the debt of Crown corporations and agencies which require an operating or debt service subsidy from the provincial government. Examples include debt of the British Columbia Ferry Corporation, British Columbia Buildings Corporation, and BC Transportation Financing Authority.

Self-supported debt includes the debt of commercial Crown corporations and agencies as well as the warehouse borrowing program. Commercial Crown corporations generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The warehouse borrowing program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to either the province or its Crown corporations and agencies. In the interim, the funds are invested at market rates.

Chart 1 indicates the breakdown among various categories of net provincial debt as at March 31, 2000. Provincial net debt totaled $34.2 billion, equal to 29.9 percent of the province's gross domestic product (GDP). Taxpayer-supported debt was $24.9 billion or 21.8 percent of GDP. Self-supported debt, including the warehouse program, was $9.3 billion. Debt of Crown corporations and agencies is primarily incurred to build provincial infrastructure, such as ferries, roads and public transit.

CHART 1

CATEGORIES OF PROVINCIAL NET DEBT
As at March 31, 2000



[1] Includes a portion of roads infrastructure debt incurred prior to 1994/95, and ferry infrastructure debt transferred in 1999/00.
[2] Includes debt of taxpayer-supported Crown corporations and agencies to finance capital projects (e.g., roads, ferries and public transit).

Financing Process

The provincial government and its Crown corporations and agencies meet borrowing requirements through a number of different financing programs. Borrowing is undertaken in different currencies and markets, and offered in fixed and floating rate form. This diversity reflects the differing purposes and client needs for which funds are required.

Most Crown corporation and agency borrowing is done through the Fiscal Agency Loan program. Under this program, the provincial government borrows directly in financial markets and relends the funds to Crown corporations and agencies on matching terms. The borrowing and financing costs remain the responsibility of the Crown corporations and agencies except in certain cases when the province provides a contribution to pay for all or part of the debt service costs. The Fiscal Agency Loan program provides lower-cost financing because of the province's strong credit rating and its ability to borrow at lower interest rates.

In some circumstances, Crown corporations and agencies may borrow directly from lenders with a guarantee from the province; authority to borrow is provided by the government.

In addition to the "traditional" borrowing methods discussed above, the province reviews opportunities for alternative financing, for example, public-private partnerships, as a means of meeting the growing demand for public infrastructure and reducing lifecycle project costs. One advantage of using alternative methods is that support from taxpayer revenues can be minimized (see discussion on Alternative Capital Procurement and Financing on page 16).

Historical Summary

The provincial government reports debt in two ways — on a gross and on a net basis.

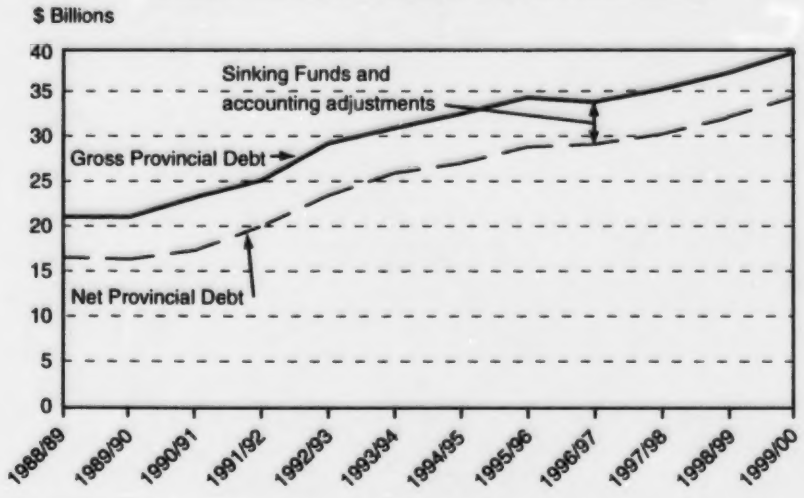
Gross debt: Gross debt is the aggregate principal amount of all outstanding debt in Canadian dollars, including notes, mortgages, bonds, commercial paper, capital leases, loans with provincial guarantees, and non-guaranteed debt of Crown corporations and agencies.

Net debt: Net debt equals gross debt less accumulated sinking funds and other accounting adjustments, including unamortized discount and premium balances resulting from the market pricing of debt issues.

Chart 2 provides an historical perspective of the government's gross and net debt outstanding.

CHART 2

GROSS AND NET PROVINCIAL DEBT OUTSTANDING



Sinking Funds

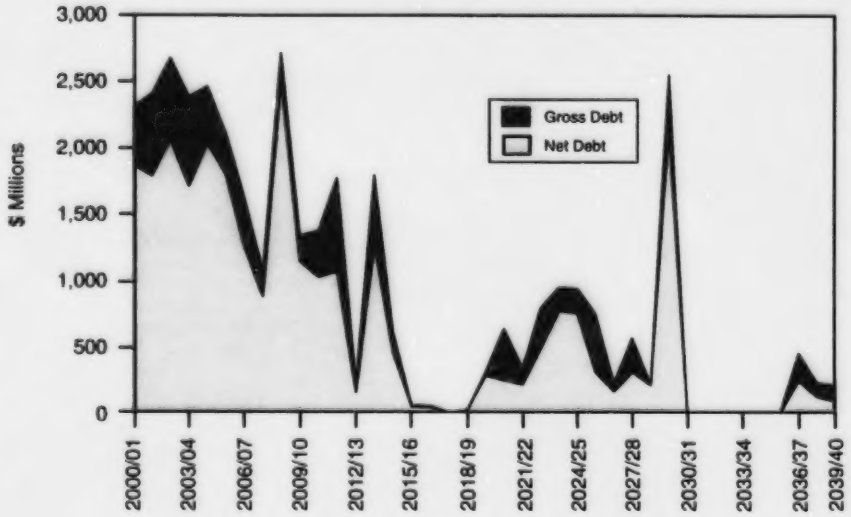
In order to manage the retirement of debt the province uses sinking funds. The province's Crown corporations and agencies make annual sinking fund contributions for virtually all debt with a term of five or more years. Debt with a remaining term of one year or longer will, on average, be 24.3 percent covered by existing sinking funds at maturity. At March 31, 2000, gross provincial debt totaled $39.3 billion. After deducting sinking funds of $4.9 billion and other accounting adjustments of $0.2 billion net provincial debt totaled $34.2 billion (see Appendix E).

Effective June 1, 1999 the provincial government discontinued sinking fund contributions on existing and new debt issued for government operating and capital financing purposes. Given that the province had to borrow to make sinking fund payments, the policy change did not impact the amount of net debt outstanding. The province continues to follow one of the most conservative sinking fund policies among the provinces for its Crown corporations and agencies.

CHART 3

PROVINCE OF BRITISH COLUMBIA NET DEBT MATURITIES

As at March 31, 2000



Administrative and Reporting Changes

Effective March 31, 2000, the province assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation totaling $1,080 million and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) totaling $70 million. There was no net effect on total provincial debt as a result of these changes.

Review of 1999/00 Debt by Category

The province incurs debt for a variety of uses as shown in Charts 4 and 5. Table 1 provides a five-year provincial net debt summary comparison.

Provincial net debt increased $2.2 billion from the previous year to total $34.2 billion at March 31, 2000 (29.9 percent of GDP). The increase was $501 million lower than planned mainly due to the improvement in the summary accounts deficit, reduced capital spending, offset by an increase in financing and working capital

requirements and warehouse borrowing in advance of 2000/01 requirements. Chart 4 shows the change in total provincial net debt for 1999/00.

Taxpayer-supported Debt: At March 31, 2000, taxpayer-supported debt totaled $24.9 billion (21.8 per cent of GDP). Although debt rose by $1,974 million from the previous year, the increase was $1,260 million less than planned. The change in debt includes:

Provincial government direct operating debt funds government operations, including refinancing of maturing debt and other financing transactions. During fiscal 1999/00, provincial government direct operating debt increased by $1,643 million ($198 million higher than planned).

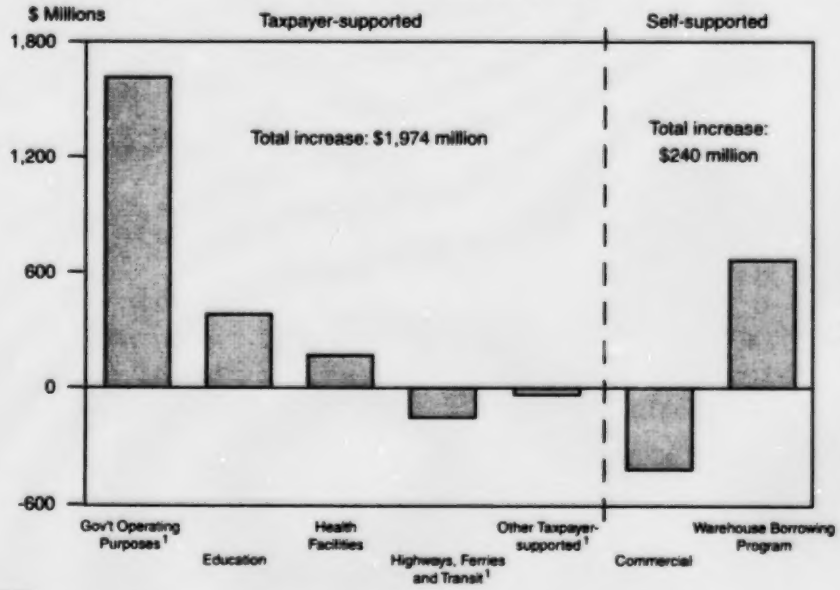
The increase in debt was used to finance;

- a CRF shortfall of $354 million, including the cost of assuming $1,080 million of British Columbia Ferry Corporation debt and $70 million of debt from 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre project);
- $478 million of net disbursements from financing and working capital transactions (e.g. loans, investments, accounts receivable/payable transactions); and
- $811 million increase in cash and temporary investments.

Education debt funds the construction of education related capital projects. Education capital financing debt increased by $381 million, which was $205 million higher than planned due to accelerated schools construction, a higher actual debt total at March 31, 1999 than was forecast and lower than projected sinking fund balances.

CHART 4

CHANGE IN TOTAL PROVINCIAL NET DEBT
For the Year Ended March 31, 2000



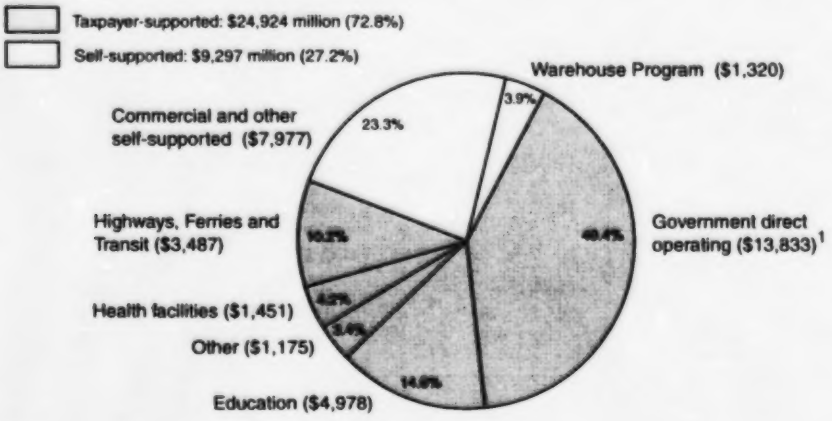
[1] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million).

Chart 5 shows a breakdown by category of provincial net debt outstanding at March 31, 2000.

CHART 5

PROVINCIAL NET DEBT
At March 31, 2000
Total: $34.2 billion

Percent of Total
($ millions)



[1] Operating debt includes a portion of roads infrastructure debt incurred prior to 1994/95, and ferry infrastructure debt transferred in 1999/00. Amount includes debt to finance operating deficits.

Health Facilities capital financing debt increased by $169 million from the prior year. The increase was $70 million lower than planned due to lower than expected spending for Year 2000 projects.

Highways, ferries and public transit debt is incurred to finance transportation related infrastructure. Debt in this category decreased $154 million during fiscal 1999/00, this was $1,255 million lower than budgeted primarily due to the government's assumption of $1,080 million of British Columbia Ferry Corporation debt. Debt incurred for road construction rose $410 million during the year and public transit related debt increased $385 million, primarily due to the capital financing for the *SkyTrain* extension.

Other taxpayer-supported debt includes the debt of British Columbia Buildings Corporation, the Homeowner Protection Office, debt incurred to finance social housing, student residence and parking facilities at universities and colleges, and the investment in Western Star Trucks Holdings Ltd. and loan guarantees under various provincial programs. Other taxpayer-supported debt fell by $65 million during fiscal 1999/00. This decrease was $338 million lower than planned, primarily due to the cancellation of the Vancouver Trade and Convention Centre project, reduced borrowing requirements of the British Columbia Buildings Corporation partially offset by a $62 million investment in 577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.).

Self-supported Debt: At March 31, 2000, self-supported debt totaled $9.3 billion (8.1 per cent of GDP). During 1999/00, debt increased $240 million, which was $759 million higher than planned. The debt changes include:

Commercial Crown corporations and agencies finance the construction and maintenance of transmission lines and generating facilities, rail systems, dock facilities and a forest products operation. These corporations and agencies are self supporting as they generate revenue from the sales of services at commercial rates and pay their own operating expenses, including debt service charges. During 1999/00 debt of commercial Crown corporation and agencies decreased by $422 million. The decrease was $361 million more than planned, due to the reduction in debt of British Columbia Hydro and Power Authority (resulting from higher revenues and favorable foreign exchange rates), lower than planned debt for Skeena Cellulose, partially offset by higher than expected debt of the British Columbia Railway Company.

TABLE 1
PROVINCIAL NET DEBT SUMMARY[1]
For Fiscal Years Ended March 31

	1996	1997	1998	1999	2000	Total Provincial Debt
			($ millions)			(Percent)
Taxpayer-supported debt						
Provincial government direct operating[2]	10,237	11,030	11,488	12,190	13,833	40.4
Education[3]						
Schools	2,658	2,835	2,990	3,261	3,609	
Post-secondary institutions	1,332	1,395	1,362	1,336	1,369	
	3,990	4,230	4,352	4,597	4,978	14.6
Health facilities[3]	1,399	1,431	1,417	1,282	1,451	4.2
Highways, ferries and public transit						
BC Transportation Financing Authority	590	921	1,089	1,433	1,843	
British Columbia Ferry Company[2]	502	685	795	973	24	
British Columbia Transit	1,506	1,538	1,579	59	79	
Public transit[3]	—	—	—	987	952	
SkyTrain extension[3]	—	—	—	133	488	
Rapid Transit Project 2000 Ltd.	—	—	—	56	101	
	2,598	3,144	3,463	3,641	3,487	10.2
Other						
British Columbia Buildings Corporation	719	736	735	715	615	
British Columbia Systems Corporation[4]	22	19	—	—	—	
Greater Vancouver Sewerage and Drainage District[5]	175	—	—	—	—	
Greater Vancouver Water District[5]	131	—	—	—	—	
Social Housing[6]	124	152	175	183	205	
Homeowner Protection Office	—	—	—	11	32	
Universities and Colleges	167	154	144	137	130	
577315 British Columbia Ltd. (Western Star Truck Co.)	—	—	—	—	62	
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2]	—	—	—	29	3	
Local Governments	12	11	10	10	9	
Other[7]	292	240	180	155	119	
	1,642	1,312	1,244	1,240	1,175	3.4
Total taxpayer-supported debt	**19,866**	**21,147**	**21,964**	**22,950**	**24,924**	**72.8**
Self-supported debt						
Commercial Crown corporations and agencies						
British Columbia Hydro and Power Authority	7,592	7,477	7,234	7,474	6,945	
British Columbia Railway Company	352	412	503	607	655	
552513 British Columbia Ltd. (Skeena Cellulose Inc.)[8]	—	—	157	221	280	
Columbia Basin Power Company[9]	—	96	95	94	94	
Columbia Power Corporation	—	3	—	—	—	
Other[10]	8	8	3	3	3	
	7,952	7,996	7,992	8,399	7,977	23.3
Warehouse borrowing program	895	100	212	658	1,320	3.9
Total self-supported debt	**8,847**	**8,096**	**8,204**	**9,057**	**9,297**	**27.2**
Total provincial debt	**28,713**	**29,243**	**30,168**	**32,007**	**34,221**	**100.0**

[1] Net debt is after deductions of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used in 1999/00.

[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million).

[3] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[4] The provincial government assumed the debt of the British Columbia Systems Corporation.

[5] Outstanding debt of the Greater Vancouver Sewerage and Drainage District and the Greater Vancouver Water District was defeased. Funding for these districts is provided through the Municipal Finance Authority of British Columbia.

[6] Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

[7] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loan guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the Legal Services Society, Okanagan Valley Tree Fruit Authority, Pacific National Exhibition and Tourism British Columbia.

[8] Although the debt of 552513 British Columbia Ltd. (Skeena Cellulose Inc.) is considered to be self-supported, future profitability is uncertain due to the volatility of world pulp prices and their potential impact on Skeena Cellulose Inc. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

[9] Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

[10] Includes debt of the British Columbia Lottery Corporation and Liquor Distribution Branch that is not guaranteed by the provincial government.

The warehouse borrowing program takes advantage of market opportunities to borrow money in advance of actual requirements. This debt is eventually allocated to either the province or its Crown corporations and agencies, in the interim the money is invested and earns interest at market rates. The debt under this program increased $662 million during the fiscal year, which was $1,120 higher than planned. The following factors explain the substantial increase in warehouse program borrowing:

- The province funded well in advance of requirements leading up to December 31, 1999 to protect against any potential year 2000 impacts on market liquidity;
- The province's borrowing requirements proved to be significantly less than estimated, due to higher than projected revenues and lower capital expenditures;
- Rising interest rates during 1999 and an expectation of further increases in 2000 favoured a strategy which warehoused lower cost funds for drawdown at a later date; and
- It was judged appropriate that the province be well funded in advance of 2000/01 requirements.

Capital Spending

Borrowing for capital projects finances the building of schools, hospitals, roads, and other forms of provincial infrastructure. These investments provide essential services for today and will also benefit future generations of British Columbians. The need for capital infrastructure in British Columbia is substantial. Maintaining the existing asset base, replacing aging infrastructure, and meeting the needs of a changing population all require capital spending. Capital investments also help to create economic activity in the province. Table 2 provides a summary of capital expenditures for 1999/00.

In 1999/00, $2.6 billion was spent to finance capital projects, down $503 million from the $3.1 billion budgeted, primarily due to lower-than-planned spending for health facilities and the cancellation of the Vancouver Trade and Convention Centre project.

TABLE 2
GOVERNMENT, CROWN CORPORATIONS AND AGENCIES
MAJOR CAPITAL EXPENDITURES FOR THE FISCAL YEAR 1999/00

	Budget Estimate 1999/00	Actual 1999/00[1]	Change From Budget
		($ millions)	
Taxpayer-supported Capital Plan			
Education[2]	468	489	21
Health	359	247	(112)
BC Transportation Financing Authority	489	478	(11)
British Columbia Ferry Corporation	139	121	(18)
Rapid Transit Project 2000 (*SkyTrain*)	410	395	(15)
Other[3]	87	58	(29)
Gross capital plan	1,952	1,788	(164)
Less: Recoverable expenditures[4]			
Hospital districts	(27)	(22)	5
Greater Vancouver Transportation Authority (*TransLink*)	—	(44)	(44)
Net capital plan	1,925	1,722	(203)
Other taxpayer-supported			
Government operating (ministries)	189	156	(33)
Social housing	25	12	(13)
Other	184	10	(174)
Total net taxpayer-supported	**2,323**	**1,900**	**(423)**
Self-supported			
British Columbia Hydro and Power Authority	406	403	(3)
British Columbia Railway Company	154	159	5
Other[5]	241	159	(82)
Total self-supported	**801**	**721**	**(80)**
Total capital expenditures	**3,124**	**2,621**	**(503)**

[1] Amounts may vary from those reported in Crown Corporation statements due to the reporting convention used for the capital plan.
[2] Represents Ministry of Education, and Ministry of Advanced Education, Training and Technology.
[3] Represents British Columbia Buildings Corporation, British Columbia Transit, Ministry of Attorney General, and Ministry for Children and Families.
[4] Expenditures by hospital districts on cost-shared projects, and capital spending on behalf of, and recovered from, other public sector agencies.
[5] Represents Columbia Power Corporation, Columbia Basin Trust joint ventures, 552513 British Columbia Ltd. (Skeena Cellulose Inc.), Insurance Corporation of British Columbia and the Liquor Distribution Branch.

A partial list of projects completed in 1999/00 include:

Education facilities

- school construction in Kelowna, Langley, Alexis Creek, Armstrong and Campbell River.

Health facilities

- upgrade to Bulkley Lodge in Smithers;
- construction of Zion Park Manor in Surrey;
- construction of an addition and renovations to Royal Arch Masonic Home in Vancouver; and
- replacement of Taylor Manor in Vancouver.

Justice facilities

- construction of an addition to Ford Mountain Correctional Centre in Chilliwack.

Roads and transportation

- realignment of Highway 1 through Sumas-Vedder (Abbotsford);
- construction of Monte Creek Interchange on Highway 1 (Kamloops);
- construction of an interchange at the intersection of Highway 97 and Glenrosa in Westbank;
- reconstruction of Highway 97 from Honeymoon Creek to Bijoux Falls near McLeod Lake; and
- Vancouver Wharves terminal upgrade including the agri-products facility and new loop rail track.

Power generation

- completion of the Stave Falls power plant replacement project to meet growing demand in the Lower Mainland; and
- permanent upgrades to transmission line towers damaged by high snowpack pressure.

Alternative Capital Procurement and Financing

Alternative procurement refers to the acquisition and financing of capital assets by methods other than direct purchase and/or traditional issuance of general obligation debt of the Province. The government, through its Capital Procurement Policy Guidelines, encourages the use of innovative and cost-effective alternative methods of procurement and financing for public capital projects. The potential benefits of using alternative methods include reduction of lifecycle project costs, mitigation and transfer of project risks (e.g. construction, ownership, finance and/or operations), protection of the province's credit rating and accelerated delivery of infrastructure.

The Guidelines require project sponsors to consider innovative procurement and financing alternatives and to the extent possible employ methods which minimize the impact on taxpayer-supported debt. Nevertheless, minimizing the risk-adjusted lifecycle cost of projects and safeguarding the public interest are the primary objectives in the capital procurement process.

The list of alternative capital procurement projects completed or under review during the year includes:

- Financing of a student residential facility for Northern Lights College in the amount of $3.5 million with debt recourse limited to the institution;
- A limited recourse financing of $9.0 million for the Capital Health Region to fund the capital cost of a new parkade at the Royal Jubilee Hospital;
- Operating lease of a fleet of 17 buses for British Columbia Transit in the amount of $5.9 million;
- A development agreement of $3.3 million for a new school facility in Abbotsford based on an operating lease structure;
- A public private partnership for the development and financing of the Chinatown Plaza in Vancouver. The project was substantially restructured during the past year with its financing ($12.0 million) having limited recourse to the cash flows and assets of the project;
- Green Buildings BC — Retrofit Program involving retrofit projects to be undertaken by public institutions such as schools, colleges, universities and hospitals. These projects are expected to generate sufficient savings in operating costs to cover the related debt/contract service payments;
- A joint venture between the Insurance Corporation of British Columbia and Technical University of British Columbia for the development of Surrey City Centre including a $103 million campus for the University;

- Public-private partnership models for the development of infrastructure at post-secondary institutions; and
- Limited recourse financing of upgrades to the hydro electric power generating facility of the Brilliant Dam, which is owned by a joint venture between Columbia Power Corporation and Columbia Basin Trust.

Debt Indicators

A number of financial indicators are used to help the public understand provincial borrowing and its fiscal impact. Table 3 provides an historical summary of these financial indicators, which were recommended by the Auditor General.

Table 3 shows key debt indicators for the five fiscal years 1995/96 to 1999/00.

TABLE 3
KEY DEBT INDICATORS[1]

	For fiscal year ending March 31				
	1996	1997	1998	1999	2000
Debt to revenue (percent)					
Total provincial	97.4	97.7	98.6	102.3	101.6
Taxpayer-supported	87.0	91.3	93.4	98.6	100.6
Debt per capita ($)[2]					
Total provincial	7,588	7,533	7,618	8,006	8,506
Taxpayer-supported	5,250	5,447	5,546	5,740	6,195
Debt to GDP (percent)[3]					
Total provincial	27.3	27.1	27.1	28.8	29.9
Taxpayer-supported	18.9	19.6	19.8	20.7	21.8
Interest bite (cents per dollar of revenue)[4]					
Total provincial	8.9	8.0	7.6	7.8	7.5
Taxpayer-supported	7.7	7.3	7.0	7.4	7.1
Interest costs ($ millions)					
Total provincial	2,609	2,386	2,319	2,452	2,528
Taxpayer-supported	1,749	1,692	1,656	1,723	1,762
Interest rate (percent)[5]					
Taxpayer-supported	8.9	8.2	7.7	7.7	7.4
Background Information:					
Revenue ($ millions)					
Total provincial[6]	29,474	29,919	30,593	31,294	33,679
Taxpayer-supported[7]	22,843	23,174	23,525	23,285	24,784
Total debt ($ millions)					
Total provincial	28,713	29,243	30,168	32,007	34,221
Taxpayer-supported[8]	19,866	21,147	21,964	22,950	24,924
Provincial GDP ($ millions)[9]	105,319	108,034	111,126	110,948	114,480
Population (thousands at July 1)[10]	3,784	3,882	3,960	3,998	4,023

[1] Figures for prior years have been restated to conform with the presentation used for 2000.
[2] The ratio of debt to population (e.g. 1999/00 debt divided by population at July 1, 1999).
[3] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 1999/00 debt divided by 1999 GDP).
[4] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.
[5] Weighted average of all outstanding debt issues.
[6] Includes revenue of the consolidated revenue fund plus revenue of all Crown corporations and agencies.
[7] Excludes revenue of commercial Crown corporations and agencies.
[8] Excludes debt of commercial Crown corporations and agencies (including non-guaranteed debt) and funds held under the province's warehouse borrowing program.
[9] GDP for the year ending in the fiscal year (e.g. GDP for 1999 is used for the fiscal year ending March 31, 2000).
[10] Population at July 1st within the fiscal year (e.g. population at July 1, 1999 is used for the fiscal year ending March 31, 2000).

Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.

Taxpayer-supported debt is an indicator often used by investors and credit rating agencies when analyzing a province's investment quality. The ratio of a province's taxpayer-supported debt relative to its gross domestic product (GDP) highlights the ability of a province to manage its debt load. British Columbia's taxpayer-supported debt burden is one of the lowest in Canada, and this translates into a strong credit rating and low debt service costs. Table 4 provides an interprovincial comparison of credit ratings.

TABLE 4
INTERPROVINCIAL COMPARISON OF CREDIT RATINGS

	Rating Agency[1]			
Province	Moody's Investors Service	Standard and Poor's	Dominion Bond Rating Service	Canadian Bond Rating Service
British Columbia	Aa2	AA−	AA (Low)	AA−
Alberta	Aa1	AA+	AA (High)	AA+
Saskatchewan	A2	A	A	A+
Manitoba	Aa3	AA−	A	A+
Ontario	Aa3	AA−	AA (Low)	AA
Quebec	A2	A+	A	A
New Brunswick	A1	AA−	A	A+
Nova Scotia	A3	A−	BBB (High)	A−
Newfoundland	Baa1	A−	BBB	BBB
Prince Edward Island	A3	Not Rated	BBB (High)	BBB

[1] The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "+", and "−" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

After the province tabled its 2000/01 Budget, Moody's Investors Service, Standard and Poor's Corporation, Dominion Bond Rating Service and the Canadian Bond Rating Service all affirmed the province's credit rating at Aa2, AA−, AA (Low) and AA− respectively.

British Columbia still retains one of the highest credit ratings among the provinces in Canada, reflecting its strong balance sheet and the depth and diversity of its economy. Among the provinces, Moody's calculates the province's taxpayer-supported debt per capita and the taxpayer-supported debt to GDP ratios as at March 31, 2000 as the third lowest. See Charts 6 and 7.

Debt Management Operations: Management Discussion

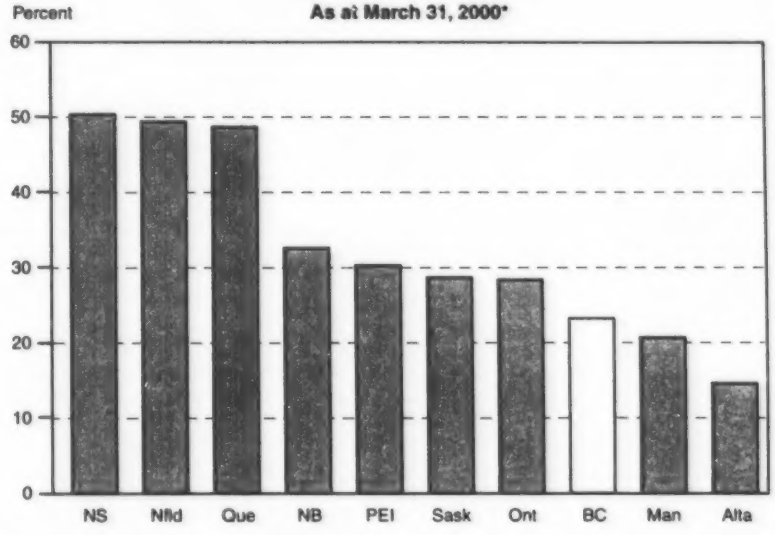
Overview

Management of the province's debt portfolio is overseen by a Risk Committee to ensure that liability management is based on sound financial principles and is conducted in a prudent manner, balancing costs and risks within acceptable control standards. The Risk Committee is comprised of the Deputy Minister of Finance and Corporate Relations, the Assistant Deputy Minister, Provincial Treasury and an external member. The Debt Management Branch of Provincial Treasury manages the province's debt.

The Committee sets risk policies and parameters for compliance by the Debt Management Branch, including: portfolio management authority matrix, term structure of debt, floating rate exposure, foreign currency exposure, liquidity risk, authorized derivative transactions and counterparty credit exposure. (See Appendix G.)

CHART 6

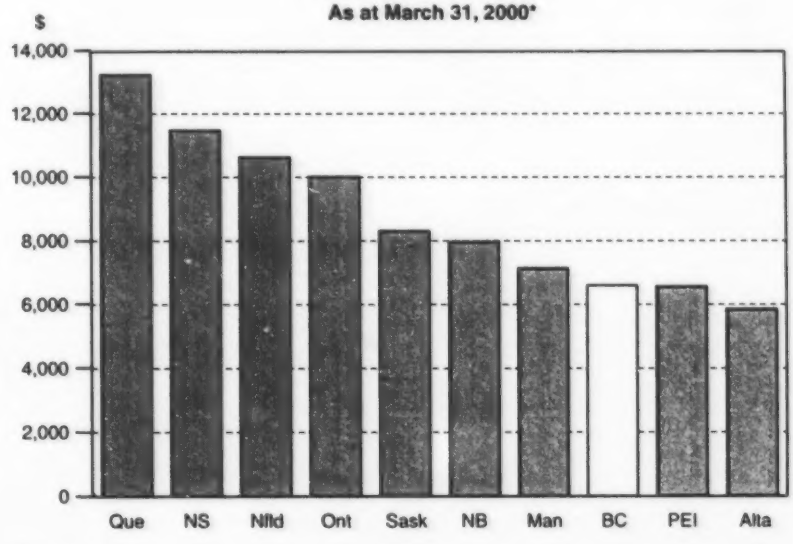
INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED NET DEBT AS A % OF GDP
As at March 31, 2000*



* Source: Moody's Investors Service; July, 2000.

CHART 7

INTERPROVINCIAL COMPARISON OF TAXPAYER-SUPPORTED NET DEBT PER CAPITA
As at March 31, 2000*



* Source: Moody's Investors Service, July, 2000.

1999/00 Borrowing

During the fiscal year ended March 31, 2000, the government and its Crown corporations and agencies borrowed $6.0 billion to meet the requirements outlined in Table 5. Table 6 and Chart 8 provide additional information on the 1999/00 borrowings by market.

TABLE 5
1999/00 BORROWING REQUIREMENTS

	($ Billions)
Refinance maturing debt	3.1
Investments in new capital assets	2.6
Consolidated Revenue Fund shortfall	0.4
Warehouse program borrowing	0.7
Less: Internal sources of financing	(0.8)
Borrowing Requirements	6.0

Interest rates in 1999/00 edged higher, precipitated by inflationary concerns and several interest rate hikes administered by the U.S. and Canadian central banks. The bearish interest rate sentiment combined with capital market worries about the potential impact of the year 2000 resulted in wider credit spreads for all issuers. The province's borrowing strategy in this interest rate environment was to accelerate issuance to secure lower cost funds and avoid any market closures which might arise from year 2000 problems.

The majority of the year's funding (i.e., $4.5 billion or 75 percent) was transacted in the Canadian markets for the reason that international markets did not present many cost-effective opportunities. This included:

- $2.3 billion from six domestic public bond issues at the 10- and 30-year terms;
- $0.4 billion from the annual B.C. Savings Bond Program. Savings bonds offer an exclusive opportunity to residents of British Columbia to invest in their province. The program also effectively diversifies the government's investor base beyond the traditional institutional source;
- $1.6 billion from notes offered under the Medium Term Note (MTN) Program. MTNs offer the province an attractive alternative to domestic public issues, often saving commission costs. MTNs issued in 1999/00 saved the province $1.1 million in annual debt service costs relative to comparable financings in the domestic public issue market; and
- $0.2 billion from Canadian Pension Plan issues.

International market sources provided $1.5 billion or 25 percent of the province's borrowings. These financings were completed under the Euro Debt Issuance Programme (EDIP) and a filing with the U.S. Securities and Exchange Commission.

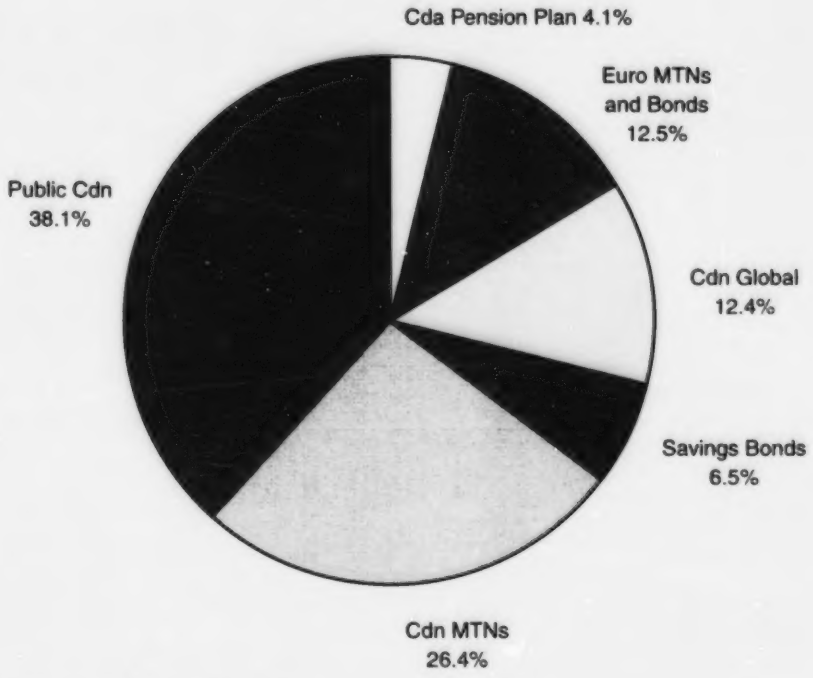
TABLE 6
1999/00 MARKET SUMMARY
as at March 31, 2000

Category	Number of Issues	Amount Raised (millions)	Amount Raised (C $ Millions)	Percent
Public Canadian Bonds	6	CAD 2,300	2,300	38
Canadian MTNs	16	CAD 1,595	1,595	26
Canada Pension Plan	10	CAD 244	244	4
B.C. Savings Bond	1	CAD 390	394	7
Domestic Total			**4,533**	**75**
Euro MTNs	1	Yen 7,000	94	2
Euro Bonds	4	US 250	363	6
		SFr 100	95	2
		CAD 200	200	3
Cdn Global	1	CAD 750	750	12
International Total			**1,502**	**25**
Total	**39**		**6,035**	**100**

CHART 8

1999/00 BORROWING ACTIVITY [1]

Total Borrowing: $6.0 Billion



[1] Excludes draw-down from the warehouse borrowing program.

All foreign currency issues were fully converted into Canadian dollar liabilities using derivative products, generating annual debt service cost savings of C $0.8 million over the government's comparable cost of funds at the time in the domestic capital market.

A highlight of the province's international borrowing program was the launch of a C $750 million global bond in May 1999 which received strong international demand and recorded exceptional secondary market performance. The bond was designated as the Canadian dollar bond of 1999 by *Euromoney Magazine* (a London-based trade journal).

For debt portfolio management purposes, the Debt Management Branch combines the government direct debt and the debt incurred for education, health facilities and public transit. This combined portfolio represents debt for which the government has almost exclusive responsibility for the associated debt service costs. As at March 31, 2000, floating rate exposure for the combined portfolio was 35.6 percent, reflecting the 1999/00 borrowing strategy; and U.S. dollar exposure was 3.4 percent and Japanese Yen exposure was 4.0 percent of net debt, well within the 10 percent limit set by the Risk Committee.

The Debt Management Branch manages the Provincial Treasury Revenue (Matched Book) Program. The purpose of the program is to generate low-risk arbitrage profit for the government. This involves borrowing money at a cost which locks-in net revenue from the related investments. The program debt ($85 million as at March 31, 2000) is offset by the related investments. As at March 31, 2000, the program had generated profits of $6.6 million since its commencement in 1990. In 1999/00, net revenue was $0.5 million.

Debt Management Performance Measurement

The primary objective of debt management is to manage the cost of debt and associated risk in a manner that is consistent with the long-term financial objectives of the province. This entails managing the debt portfolio to minimize the total cost of existing and new debt, subject to an acceptable level of risk.

Portfolios vary in terms of expected costs and risk depending on their exposure to interest rates and to exchange rates. In general, as the expected cost of a portfolio is reduced, the variability of cost, and risk, increases.

In order to carry out their task, debt managers require guidance as to portfolio objectives and the bounds of acceptable results. In other words, they require a target or benchmark debt management portfolio. The benchmark portfolio provides operational guidelines for debt management, as well as a reference point for monitoring risk and performance measurement. The benchmark is selected by quantifying the cost and risk of many portfolios, and choosing one that minimizes cost subject to an acceptable level of risk.

In measuring the cost of debt over a given period of time, it is important to recognize the period-to-period change in the market value of existing and new debt. The cost measure, which is referred to as the total cost of debt, includes interest paid plus changes in market value. This is analogous to the total return of investment portfolios (earnings plus changes in market value).

In April 1999, the Debt Management Branch began a pilot test of a performance measurement system for the province direct portfolio. While preliminary results are positive, the system requires further work to ensure that we are able to fully account for differences in returns between the actual portfolio and the benchmark against which it is measured.

Section III

APPENDICES

(unaudited)

Appendix A: Glossary of Terms

Arbitrage — refers to trading to generate a risk-free profit without investment. For purposes of the province's Matched Book Program, arbitrage refers to borrowing funds at one rate and investing the same funds at a higher rate with minimal risk.

Benchmark portfolio — represents the debt manager's neutral liability position and represents the minimum cost subject to an acceptable level of risk. The manager may make active decisions to deviate from the neutral position with the intention of adding value to the actual portfolio. The performance of the manager is judged by comparing the total cost of the actual portfolio with the total cost of the benchmark portfolio.

Call — an option which gives the holder the right but not the obligation to purchase a financial instrument at a set price at some point in the future.

Commercial Crown corporations — corporations which generate revenue from the sale of goods or services at commercial rates and pay their own operating expenses, and debt service charges.

Commercial debt — self-supported debt.

Debt per capita — the ratio of debt to total population.

Debt to GDP — the ratio of debt outstanding at year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year.

Debt to revenue — the ratio of debt outstanding at fiscal year end compared to revenue from all sources during the year.

Defeasance — is an accounting term meaning extinguishment of debt by setting aside sufficient assets/ investments in a trust to satisfy future interest payments and principal repayment.

Derivative product — a swap or other financial instrument that is used to hedge interest rate or foreign currency exposure.

Discount — the difference between the par value of an issue and its actual price. Discounts, which occur when the price is below par, are amortized over the life of a bond/note.

Fiscal agency loans — debt borrowed directly by the government with proceeds relent to Crown corporations and agencies.

Guaranteed debt — debt incurred by Crown corporations and others with a provincial government guarantee as to the payment of principal and interest.

Hedging — using derivative products to reduce exposure to interest rate and foreign currency fluctuations.

Infrastructure — includes roads, ferry and transit systems, schools, hospitals, universities and other capital works.

Interest bite — how much of each dollar of provincial revenue is used to pay for debt service costs.

Market Value — The market value of a portfolio is the sum of the market values of the individual securities comprising the portfolio. The market value of a security is the amount one would reasonably expect to pay for it on the open market. In particular, the market value of a debt instrument is the present value of its future cash flows. The market value of debt is negative because the cash flows are negative (interest and maturity payments made by the province to the investor). The market value of a derivative instrument is also the present value of its future cash flows. However, a derivative may have both negative and positive cash flows, and hence its market value may be either negative or positive.

Matched Book Program — a portfolio of offsetting assets and liabilities with equal maturities. The program is designed to generate low-risk arbitrage profit for the government. Also called the Provincial Treasury Revenue Program.

MTN — domestic medium term note — is often placed directly with investors, much like a private placement.

Non-guaranteed debt — debt which is incurred by a government body but which is not guaranteed by the province.

Premium — the difference between the par value of an issue and its actual price. Premiums, which occur when the price is above par, are amortized over the life of a bond/note.

Provincial government direct debt — funds borrowed for government operations and capital spending, refinancing of maturing debt and other financing transactions.

Put — an option which gives the holder the right but not the obligation to sell a financial instrument at a set price at some point in the future.

Self-supported debt — includes debt of entities which generate sufficient revenues from external sources to cover their operating and capital expenses including debt service costs. It also includes debt of the warehouse borrowing program.

Sinking fund — a trust account established by policy to provide for the orderly repayment of debt obligations. Sinking funds accumulate through annual payments and retain all investment earnings. Sinking funds are deducted from gross debt to yield net debt.

Swap — a derivative product used to hedge interest rate and currency exposure. Swaps involve an exchange of cash flows.

Taxpayer-supported debt — includes direct debt incurred for government operations and capital financing purposes, and debt of Crown corporations and agencies, which undertake capital projects that provide essential services to the province, but require an operating or debt service subsidy from the provincial government.

Warehouse borrowing program — takes advantage of receptive markets to borrow money in advance of actual requirements. Funds are invested until required. This debt is eventually allocated to either the provincial government or its Crown corporations and agencies.

Canadian Promissory Notes and U.S. Commercial Paper

These forms of short-term financing are based on notes that pay to the bearer an agreed amount at the end of a specified term that does not exceed one year. Under these programs, debt managers meet short-term borrowing requirements by contacting designated members of the financial community to solicit bids for required funds and choosing the one with the lowest total cost.

Domestic Medium Term Notes (MTNS)

Domestic Medium Term Notes (MTNs) are used as a way of raising funds for terms between one and forty years by direct placement with investors on an agency basis (i.e.: notes are not underwritten). This type of financing is arranged through investment dealers who work with staff to design securities in response to specific investor demands. MTNs typically range in size from $25 to $100 million.

Syndicated Public Bond Issues

When financing in large size is needed, the province issues public bonds. The province agrees to sell a specified amount of marketable bonds to a syndicate of underwriters, which then markets the bonds to investors. Syndicate members are selected according to a number of criteria such as market distribution capabilities and track record, previous service, reputation and interest rates offered.

A separate syndicate is established for each market in which securities are issued from time to time including the Canadian, Euro-Canadian, Global Canadian and U.S. dollar, U.S. (Yankee), Euro-U.S., Euro-yen, Euro-sterling and Swiss franc markets.

BC Savings Bonds (BCSB)

BCSBs are sold to individual British Columbia investors. Generally, BCSBs provide a source of funds that would not otherwise be easily accessible to the province. BCSBs are part of an overall strategy to diversify funding sources and encourage local investor participation in the province's financing program.

Euro Debt Issuance Program (EDIP)

EDIP provides for borrowing in 16 approved currencies. The program permits syndicated bond issues and notes tailored to specific investor demands called Euro Medium Term Notes (EMTNs). EDIP is currently limited to a maximum of US $5.0 billion, or its equivalent, in outstanding debt.

Private Placements

The province will sometimes undertake private placements with investors to supplement its debt financing program. Examples of such financings are leases of equipment on behalf of government and Crown agencies (for example, ferry and transit vehicles).

Canada Pension Plan (CPP)

From time to time, the federal government has offered to lend CPP funds at attractive rates of return. Between 1992 and March 1999, the federal government did not provide funding opportunities for new borrowing or for refinancing under this program. As a result of recent federal reform of CPP investment strategy, the provinces are now offered opportunities to borrow CPP funds once again.

Provincial Trusteed Funds

Pension funds and sinking funds are managed by the British Columbia Investment Management Corporation as trustee. Occasionally the Debt Management Branch may arrange to borrow from provincial trusteed funds. From time to time, these funds are prepared to lend money to the province subject to prevailing market terms and in accordance with the fiduciary responsibilities of the trustee.

Australian Dollar Domestic Medium Term Note Program (AMTN)

AMTN provides for borrowing in the Australian dollar currency. The program permits syndicated bond issues and notes tailored to specific investor demands called Australian Medium Term Notes (AMTNs). AMTN is currently limited to a maximum of A $3.0 billion, or its equivalent, in outstanding debt. The province has not yet issued debt under this program.

Appendix C: Schedule of Debt Maturities

PROVINCE OF BRITISH COLUMBIA DEBT MATURITIES
As at March 31, 2000

Fiscal Year	Net Debt*	Gross Debt*	Sinking Funds*
		($ millions)	
2000/01	1,851.0	2,284.7	433.7
2001/02	1,769.4	2,390.8	621.4
2002/03	2,039.7	2,654.6	614.9
2003/04	1,693.5	2,360.8	667.3
2004/05	2,012.3	2,441.5	429.2
2005/06	1,783.9	2,088.2	304.3
2006/07	1,239.0	1,604.5	365.5
2007/08	858.5	1,052.7	194.2
2008/09	2,480.7	2,696.7	216.0
2009/10	1,127.2	1,317.9	190.7
2010/11	1,006.2	1,356.9	350.7
2011/12	1,049.3	1,754.9	705.6
2012/13	142.5	216.7	74.2
2013/14	1,253.2	1,778.1	524.9
2014/15	443.1	594.8	151.7
2015/16	39.3	50.0	10.7
2016/17	34.4	45.0	10.6
2017/18	0.0	0.0	0.0
2018/19	12.5	12.9	0.4
2019/20	268.8	294.6	25.8
2020/21	233.7	619.8	386.1
2021/22	201.6	321.3	119.7
2022/23	477.8	775.0	297.2
2023/24	752.5	930.4	177.9
2024/25	736.0	920.0	184.0
2025/26	295.7	727.7	432.0
2026/27	149.8	210.0	60.2
2027/28	297.0	550.0	253.0
2028/29	200.0	200.0	0.0
2029/30	2,117.9	2,535.0	417.1
2030/36	0.0	0.0	0.0
2036/37	232.3	436.6	204.3
2038/39	112.0	215.0	103.0
2039/40	80.0	200.0	120.0

* Excludes short-term, non-guaranteed debt, perpetual bonds and investment cash for relending, certified debt and related sinking funds. It is assumed that sinking fund installments will continue to be made according to current policy. Sinking fund balances are projected to grow at 5 percent. Any foreign denominated debt has been re-stated at the foreign exchange rate on March 31, 2000.

Appendix D: Historical Debt Table

HISTORICAL PROVINCIAL NET DEBT SUMMARY FOR FISCAL YEARS ENDED MARCH 31[1]

	Taxpayer-Supported Debt									
Year	Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other[2]	Total Taxpayer-Supported Debt	Self-Supported Debt[3]	Total Provincial Debt	Total Provincial Debt as a Percent of GDP	Taxpayer-Supported Debt as a Percent of GDP
1970	—	338	42	142	100	622	1,661	2,283	25.7	7.0
1971	—	362	64	172	99	697	1,808	2,505	26.9	7.5
1972	—	380	85	233	95	793	1,948	2,741	26.5	7.7
1973	—	408	105	288	87	888	2,062	2,950	24.8	7.5
1974	—	425	117	340	145	1,027	2,228	3,255	22.1	7.0
1975	—	485	133	386	149	1,153	2,650	3,803	21.8	6.6
1976	—	557	178	544	145	1,424	3,144	4,568	23.4	7.3
1977	261	658	236	649	188	1,992	3,787	5,779	25.1	8.7
1978	261	710	291	656	215	2,133	4,464	6,597	25.7	8.3
1979	261	778	334	653	91	2,117	4,838	6,955	24.2	7.4
1980	235	836	401	730	195	2,397	5,704	8,101	24.3	7.2
1981	209	919	461	729	270	2,588	5,956	8,544	22.3	6.8
1982[4]	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1983	883	1,204	660	1,024	894	4,665	7,692	12,357	27.5	10.4
1984	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.1
1985	2,476	1,308	717	691[5]	1,276	6,468	9,082[5]	15,550	31.2	13.0
1986	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1987	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1988	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1989	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1990	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1991	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1992	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.5	15.3
1993	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.9	18.3
1994	10,257[6]	3,054	1,181	1,862[6]	1,627	17,981	7,946	25,927	27.6	19.2
1995	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	27.0	19.0
1996	10,237	3,990	1,399	2,598	1,642	19,866	8,847	28,713	27.3	18.9
1997	11,030	4,230	1,431	3,144	1,312	21,147	8,096	29,243	27.1	19.6
1998	11,488	4,352	1,417	3,463	1,244	21,964	8,204	30,168	27.1	19.8
1999	12,190	4,597	1,282	3,641	1,240	22,950	9,057	32,007	28.8	20.7
2000	13,833[7]	4,978	1,451	3,487[7]	1,175	24,924	9,297	34,221	29.9	21.8

[1] Net debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for fiscal 1999/00.

[2] Includes the British Columbia Buildings Corporation, British Columbia Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and agencies. Also includes loan guarantees to agricultural producers, guarantees issued under economic development assistance programs and loan guarantee provisions.

[3] Commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

[4] Statistics Canada revised provincial nominal GDP back to calendar year 1981 (fiscal year 1981/82). Debt-to-GDP ratios prior to 1981/82 are based on the previously published economic accounts calculations.

[5] Prior to 1984/85 debt outstanding for the British Columbia Railway Company was classified as taxpayer-supported debt. Beginning in 1984/85 the company was considered to be a commercial operation.

[6] Prior to the establishment of the BC Transportation Financing Authority in the spring of 1993, capital financing for highways was provided through provincial government direct operating debt.

[7] Effective March 31, 2000, the provincial government assumed responsibility for fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million).

Appendix E: Provincial Debt Summary

As at March 31, 2000

	Gross Debt[1] (Maturity Value)	Unamortized Discount	Sinking Funds	Net Debt[1]	
		($ millions)			(Percent)
Taxpayer-supported debt					
Provincial government direct operating[2]	15,139	73	1,233	13,833	40.4
Education[3]					
Schools	4,548	26	913	3,609	
Post-secondary institutions	1,988	12	607	1,369	
	6,536	38	1,520	4,978	14.6
Health facilities[3]	2,066	5	610	1,451	4.2
Highways, ferries and public transit					
BC Transportation Financing Authority	1,852	(41)	50	1,843	
British Columbia Ferry Corporation[2]	38	—	14	24	
British Columbia Transit	90	—	11	79	
Public transit[3]	1,210	10	248	952	
SkyTrain extension[3]	507	19	—	488	
Rapid Transit Project 2000 Ltd.	102	1	—	101	
	3,799	(11)	323	3,487	10.2
Other					
British Columbia Buildings Corporation	735	6	114	615	
Social housing[4]	205	—	—	205	
Homeowner Protection Office	32	—	—	32	
Universities and colleges	170	2	38	130	
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.)	62	—	—	62	
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)[2]	3	—	—	3	
Local governments	12	—	3	9	
Other[5]	119	—	—	119	
	1,338	8	155	1,175	3.4
Total taxpayer-supported debt	**28,878**	**113**	**3,841**	**24,924**	**72.8**
Self-supported debt					
Commercial Crown corporations and agencies:					
British Columbia Hydro and Power Authority	8,045	54	1,046	6,945	
British Columbia Railway Company	678	9	14	655	
552513 British Columbia Ltd. (Skeena Cellulose)[6]	280	—	—	280	
Columbia Basin Power Company[7]	94	—	—	94	
Liquor Distribution Branch	3	—	—	3	
	9,100	**63**	**1,060**	**7,977**	23.3
Warehouse Borrowing Program	**1,357**	**37**	**—**	**1,320**	3.9
Total self-supported debt	**10,457**	**100**	**1,060**	**9,297**	**27.2**
Total provincial debt	**39,335**	**213**	**4,901**	**34,221**	**100.0**

[1] Includes hedged foreign currency denominated debt converted at hedged exchange rates prevailing at the time of the hedged transaction and unhedged foreign currency denominated debt converted at exchange rates at March 31, 2000.

[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre — $70 million.)

[3] Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

[4] Includes debt of the British Columbia Housing Management Commission and Provincial Rental Housing Corporation.

[5] Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the Legal Services Society, Pacific National Exhibition, Okanagan Valley Tree Fruit Authority and Tourism British Columbia.

[6] Although the debt of 552513 British Columbia Ltd. (Skeena Cellulose Inc.) is considered to be self-supported, future profitability is uncertain due to volatility of world pulp prices and their potential impact on Skeena Cellulose Inc. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

[7] Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

Appendix F: Summary of Outstanding Debt Issues

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
At March 31, 2000

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2000	References (see p. 38)
			(percent)	(millions of Cdn. dollars)	
Long-Term and Medium-Term Debt Issued by Province of British Columbia:					
BCCMTN-17	August 3, 2000	1993	7.00	6	(2) (30)
BCCD-B	August 16, 2000	1990	11.25	619	(2) (30)
BCCMTN-54	August 16, 2000	1995	7.25	32	(2) (30)
BCCMTN-61	August 16, 2000	1995	6.75	50	(2)
BCSBNR-F	October 15, 2000	1997	4.875	146	(1)
BCEC-8	February 19, 2001	1991	10.75	480	(1) (10) (30)
BCCD-F	May 15, 2001	1991	9.75	4	(2) (19)
BCCD-H	August 29, 2001	1991	10.15	495	(2) (30)
BCSBR-E	October 15, 2001	1996	4.90	89	(1) (6) (14)
BCSBNR-G	October 15, 2001	1998	5.25	309	(1)
BCCMTN-72	November 5, 2001	1998	4.85	7	(3) (30)
BCCD-J	January 9, 2002	1992	9.00	784	(2) (30)
BCEC-14	March 4, 2002	1998	5.25	166	(1) (10) (30)
BCEC-15	June 18, 2002	1999	5.25	200	(1) (10)
BCSBR-F	October 15, 2002	1997	4.90	80	(1) (6) (14)
BCSBNR-H	October 15, 2002	1999	5.70	169	(1)
BCCMTN-89	December 6, 2002	2000	Floating	200	(4)
BCCMTN-88	January 17, 2003	2000	Floating	90	(4)
BCCG-1	June 16, 2003	1993	7.75	1,232	(2) (10) (30)
BCCMTN-22	February 3, 2004	1994	6.50	30	(2) (30)
BCCD-S	June 21, 2004	1994	9.00	670	(2) (30)
BCCMTN-28	June 21, 2004	1994	9.60	275	(2)
BCCMTN-47	June 21, 2004	1995	9.25	50	(2)
BCCMTN-67	December 10, 2004	1997	5.25	48	(2) (30)
BCCMTN-45	June 9, 2005	1995	9.50	50	(2)
BCCMTN-86	August 5, 2005	1999	6.20	50	(2) (27)
BCCD-U	August 23, 2005	1995	8.00	650	(2) (30)
BCMTN-55	August 23, 2005	1995	8.00	50	(2)
BCCMTN-87	August 23, 2005	1999	6.15	75	(2)
BCEC-12	September 21, 2005	1993	7.25	382	(1) (10) (30)
BCSBR-G	October 15, 2005	1998	4.90	536	(1) (6) (14)
BCCMTN-49	February 24, 2006	1995	9.00	50	(2)
BCSBR-H	October 15, 2006	1999	4.90	224	(1) (6) (14)
BCCG-2	December 1, 2006	1999	5.25	750	(2) (10)
BCCMTN-48	March 1, 2007	1995	9.05	40	(3) (7) (16)
PRW	December 10, 2007	1987	10.14	1	(2)
PRP-1	March 31, 2008	1996	8.18	34	(2) (15)
BCCD-V	June 9, 2008	1997	6.00	1,697	(2) (30)
BCJC-2	January 15, 2009	1984	8.75	25	(1) (10)
BCCMTN-66	July 10, 2009	1997	6.10	45	(2) (24)
BCCD-Y	December 1, 2009	1999	6.25	500	(2)
BCCMTN-71	August 24, 2010	1998	6.05	40	(2) (26)
BCCD-D	February 21, 2011	1991	10.75	237	(2) (30)
BCCMTN-81	June 14, 2011	1999	5.65	75	(2) (28)
BCCD-K	January 9, 2012	1992	9.50	1,079	(2) (30)
BCCMTN-85	January 9, 2012	1999	9.50	300	(2)
BCCD-N	August 23, 2013	1993	8.50	1,063	(2) (30)
BCCMTN-44	August 23, 2013	1995	9.60	57	(2) (30)

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
Continued
At March 31, 2000

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2000	References (see p. 42)
			(percent)	(millions of Cdn. dollars)	
BCCMTN-50	August 23, 2013	1995	9.25	65	(2) (30)
BCCMTN-53	August 23, 2013	1995	8.50	348	(2) (30)
BCCMTN-80	August 23, 2013	1999	5.75	100	(2)
BCCD-Q	June 9, 2014	1994	7.50	395	(2) (30)
BCCMTN-33	June 9, 2014	1994	9.625	25	(2)
BCCMTN-34	June 9, 2014	1994	9.625	36	(2) (30)
BCCMTN-38	June 9, 2014	1994	9.60	89	(2) (30)
BCCMTN-27	June 20, 2014	1994	8.50	50	(2)
BCCMTN-51	April 3, 2015	1995	9.83	50	(8) (21)
BCCMTN-25	October 3, 2016	1994	9.125	45	(2)
BCCMTN-26	June 17, 2019	1994	9.00	50	(2)
BCCD-C	September 5, 2020	1990	10.60	600	(2)
BCCMTN-46	September 5, 2020	1995	10.60	20	(2)
BCCD-G	May 15, 2021	1996	9.95	296	(2)
BCCMTN-76	February 23, 2022	1999	6.00	25	(2)
BCCD-L	June 9, 2022	1992	9.50	450	(2)
BCCD-M	August 19, 2022	1992	8.75	300	(2)
BCCMTN-77	February 23, 2023	1999	6.00	25	(2)
BCCD-P	September 8, 2023	1993	8.00	400	(2)
BCCMTN-60	September 8, 2023	1995	8.00	35	(2)
BCCMTN-79	September 8, 2023	1999	6.40	50	(2)
BCEC-13	November 30, 2023	1993	7.875	345	(1) (10) (30)
BCCMTN-78	February 23, 2024	1999	6.00	100	(2)
BCCD-T	August 23, 2024	1994	9.00	400	(2)
BCCMTN-40	August 23, 2024	1995	9.00	35	(2)
BCCMTN-52	August 23, 2024	1995	9.00	200	(2)
BCCMTN-56	August 23, 2024	1995	8.50	30	(2)
BCCMTN-62	August 23, 2024	1996	7.875	200	(2)
BCCMTN-82	August 23, 2024	1999	7.00	55	(2)
BCCMTN-63	June 9, 2026	1996	8.00	110	(2)
BCCMTN-64	December 4, 2026	1996	5.40	40	(2) (22)
BCCMTN-74	December 4, 2026	1999	5.40	60	(2) (17)
BCCMTN-65	June 9, 2027	1997	7.50	50	(2)
BCCD-W	November 19, 2027	1997	6.15	500	(2)
BCCMTN-70	August 17, 2028	1998	5.45	200	(2) (12)
BCCD-X	June 18, 2029	1998/99	5.70	2,285	(2)
BCCMTN-83	June 18, 2029	1999	5.86	250	(2) (29)
BCCMTN-69	January 9, 2039	1998	5.75	150	(2)
BCCMTN-73	January 9, 2039	1998	6.00	65	(2)
BCCMTN-84	August 23, 2039	1999	6.30	200	(2)
Canada Pension Plan issues		1980–2000	5.61–17.51	3,653	(2) (9) (30)
Redemption premium re MTN-74				15	
Other				1	(20)
Short-term Promissory Notes				1,619	
Total Issues in Canadian Dollars[1]				28,258	

[1] At March 31, 2000, sufficient securities had been set aside in a trust to satisfy the scheduled interest and principal repayment requirements of Cdn. $1,076 million (1999: 1,305 million). For breakdown of the defeased debt, see page 38, reference 30.

GROSS DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA

Continued

At March 31, 2000

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2000	References (see p. 38)
			(per cent)	(millions of Cdn. dollars)	
BCEMTN-19	October 30, 2000	1997	5.50	200	(2)
BCEUS-1	June 18, 2002	1992	7.750	500	(1) (10)
BCUSD-1	January 15, 2003	1993	7.00	500	(2) (10)
BCEUS-2	February 5, 2003	1993	5.50–8.00	73	(1) (10) (30)
BCCMTN-75	January 15, 2004	1999	Floating	200	(4) (13)
BCEUS-5	February 8, 2005	2000	7.25	250	(1)
BCEUS-4	June 11, 2007	1997	7.125	460	(1) (10) (30)
BCUSD-2	January 15, 2026	1996	6.50	500	(2) (10)
BCUSG-1	October 29, 2008	1998	5.375	500	(2)
BCEMTN-22	October 28, 2013	1998	Floating	100	(4)
BCUSD-3	September 1, 2036	1996	7.25	300	(2) (10)
Short-term Promissory Notes				901	
Total Issues in U.S. Dollars*				US$ 4,484	
Exchange Premium (Including Hedge)				2,099	
U.S. Issues at Cdn. Dollar Equivalent				CDN$ 6,583	
BCJYUS-3	September 18, 2000	1997	4.50	20,000	(2) (10) (23)
BCEMTN-18	September 25, 2000	1997	.20	10,000	(1)
BCEMTN-14	October 24, 2000	1996	1.68	5,000	(1) (10)
BCEMTN-1	May 31, 2004	1994	4.1048	5,000	(1) (10)
BCEMTN-2	June 15, 2004	1994	3.923	5,000	(2) (10)
BCEMTN-16	June 19, 2007	1997	3.50	5,000	(1) (25)
BCEMTN-23	March 1, 2010	2000	1.855	7,000	(1)
BCEMTN-21	September 16, 2010	1998	2.07	10,000	(1) (25)
Total Issues In Japanese Yen				¥ 67,000	
Exchange Premium (Including Hedge)				(66,158)	
Japanese Issues at Cdn. Dollar Equivalent**				CDN$ 842	
BCSFR-2	February 20, 2002	1997	3.25	CHF 200	(1) (10)
BCSFR-3	June 25, 2004	1998	3.00	600	(1) (10)
Total Issues in Swiss Francs				CHF$ 800	
Exchange Premium (Including Hedge)				(18)	
Swiss Franc Issue at Cdn. Dollar Equivalent**				CDN$ 782	
BCES-1	December 31, 2003	1996	7.50	GB 190	(1) (10) (30)
Exchange Premium (Including Hedge)				219	
Sterling Issue at Cdn. Dollar Equivalent**				CDN$ 409	
BCEFF-1	January 30, 2007	1996	6.25	FFR 1,405	(1) (10) (30)
BCEFF-2	July 15, 2009	1997	5.875	1,731	(1) (10) (30)
Total Issues in French francs				FFR 3,136	
Exchange Premium (Including Hedge)				(2,358)	
French Franc Issue at Cdn. Dollar Equivalent**				CDN$ 778	
BCEDM-1	July 21, 2010	1998	5.125	DM 703	(1) (10) (30)
Exchange Premium (including Hedge)				(127)	
Deutschemark Issue at Canadian Dollar Equivalent				CDN$ 576	
Gross Direct Debt issued by the Province (In Canadian Dollar Equivalents)				CDN$ 38,228	

* Payable and expressed in U.S. dollars. Debt payable in US $1,241 million has been hedged to Cdn $1,732 million. Debt payable in U.S. $500 million has been hedged to JP¥61,029 million. This balance was translated at the exchange rate prevailing at year-end.

** Foreign currency debt other than U.S. has been fully hedged to Canadian dollars.

NET DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA
At March 31, 2000

	Amount Outstanding March 31, 2000	
	($ millions)	
Gross Direct Debt issued by the Province (in Canadian Dollar Equivalents)[1]		38,228
Less — Fiscal Agency Borrowings on behalf of:		
Warehouse Borrowing Program	1,357	
BC Transportation Financing Authority	1,846	
British Columbia Assessment Authority	5	
British Columbia Buildings Corporation	674	
British Columbia Housing Management Commission	62	
British Columbia Hydro and Power Authority	7,715	
British Columbia Institute of Technology	26	
British Columbia Railway Company	629	
British Columbia Transit	87	
College of New Caledonia	3	
College of the Rockies	3	
Douglas College	1	
Home Owner Protection Office	10	
Improvement Districts	5	
Malaspina University College	2	
Oak Bay Lodge	1	
Okanagan University College	11	
Pacific Racing Association	5	
Rapid Transit Project 2000 Ltd.	102	
Selkirk College	2	
Simon Fraser University	29	
University College of the Cariboo	5	
University of British Columbia	62	
University of Northern British Columbia	16	
University of Victoria	10	
Victoria Line	3	
552513 British Columbia Ltd. (Skeena Cellulose Inc.)	32	
577318 British Columbia Ltd. (Western Star Trucks)	63	
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre)	3	
	11,412	12,769
Gross Direct Debt		25,459
Less — Unamortized Discount	145	
— Government Sinking Funds	3,611	
— Bonds held in the Consolidated Revenue Fund	2	3,758
Total Net Direct Debt		21,701
Gross Fiscal Agency Reloaned Debt		12,769
Less — Gross Fiscal Agency Debt		11,412
Gross Fiscal Agency Debt for Warehouse Borrowing Program Purposes		1,357
Less — Unamortized Discount/(Premium)	37	37
Total Net Fiscal Agency Debt for Warehouse Borrowing Program Purposes		1,320
Gross Fiscal Agency Debt		11,412
Less — Unamortized Discount	32	
— Government Sinking Funds	1,082	1,114
Total Net Fiscal Agency Debt		10,298
Total Net Direct and Fiscal Agency Debt, Warehouse Borrowing Program Debt		33,319
Less — Warehouse Borrowing Program Investments Available to Paydown Warehouse Borrowing Program Debt		1,320
Total Net Direct and Fiscal Agency Debt		31,999

[1] At March 31, 2000, sufficient securities had been set aside in a trust to satisfy the scheduled interest and principal repayment requirements of Cdn $1,076 million (1999: $1,305 million). For breakdown of the defeased debt see page 38, reference (30).

NET GUARANTEED DEBT
At March 31, 2000

Issuer and Series	Year of Maturity	Year of Issue	Interest Rate	Amount Outstanding[1] March 31, 2000
			(percent)	(millions of Cdn. dollars)
British Columbia Hydro and Power Authority[2]	1999–2011	1981	10.58–14.50	192
British Columbia Railway Company Ltd. Capital Leases				7
British Columbia Ferry Corporation Capital Leases[3]	2005	1985	8.69	24
British Columbia Transit[4]	2002	1982	15.54	1
British Columbia Buildings Corporation[5]	2000–2005	1980	7.69–13.46	7
Mortgages				2
				9
Municipalities, Improvement Districts and Other Local Government Entities	2004–2007	1979–1986	10.12–15.75	2
Sub-total Net Guaranteed Debt				235
Plus — Other Guaranteed Debt[6]				263
				498
Less — Provisions for Probable Payout				17
Total Net Guaranteed Debt				481

[1] Total net of sinking funds.
[2] Includes the perpetual callable bonds (issued by the former British Columbia Electric Company Limited).
[3] At March 31, 2000, British Columbia Ferry Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $34 million (1999: Cdn $37 million).
[4] At March 31, 2000, British Columbia Transit had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $106 million (1999: $127 million).
[5] At March 31, 2000, British Columbia Buildings Corporation had sufficient securities in an irrevocable trust to satisfy the scheduled interest and principal repayment requirements of Cdn $97 million (1999: $18 million).
[6] Includes outstanding loan guarantees of Forest Renewal BC, Pacific National Exhibition, Skeena Cellulose Inc., student assistance loans, loans to agricultural producers and guarantees issued under economic development assistance programs.

NON-GUARANTEED DEBT
As at March 31, 2000

	(millions of Cdn. dollars)
Taxpayer-Supported Debt	
BC Transportation Financing Authority	5
Other[1]	1
Homeowner Protection Office	22
Legal Services Society	1
Provincial Rental Housing Corporation	143
Total Taxpayer-Supported Non-Guaranteed Debt	172
Self-Supported Debt	
British Columbia Railway Company	42
Skeena Cellulose Inc.	93
Columbia Basin Power Company[2]	94
BC Liquor Distribution	3
Total Self-Supported Non-Guaranteed Debt	232
Total Non-Guaranteed Debt	404

[1] Includes debt of the British Columbia Ferry Corporation, British Columbia Transit, Okanagan Valley Tree Fruit Authority, Pacific National Exhibition and Tourism British Columbia.

[2] Columbia Basin Power Company is a joint venture of Columbia Power Corporation (50 percent) and Columbia Basin Trust (50 percent). This joint venture issued series A Brilliant project bonds secured by the Brilliant Dam assets and a sales agreement with West Kootenay Power Ltd.

SUMMARY OF NET DEBT
Amount Outstanding at March 31, 2000

	(millions of Cdn. dollars)
Total Net Direct Debt	21,701
Total Net Fiscal Agency Debt	10,298
Total Net Fiscal Agency Debt for Warehouse Borrowing Program Purposes	1,320
Total Net Guaranteed Debt	481
Total Non-guaranteed Debt	404
Add back Provision for Probable payout	17
Total Net Debt	34,221

NOTES TO STATEMENTS OF DEBT

(1) Interest payable annually.
(2) Interest payable semi-annually.
(3) Interest payable monthly.
(4) Interest payable quarterly.
(5) Interest rate reset annually.
(6) Interest rate reset semi-annually.
(7) Interest rate reset every two years.
(8) Interest compounded semi-annually, payable on maturity (BCCMTN-51).
(9) Pursuant to provisions for investment of Canada Pension Plan Funds, this issue is redeemable as a whole or in part on six months notice at the option of the Minister of Finance for Canada subject to certain restrictions (CPP issues).
(10) Callable by the issuer if taxation laws requiring additional payments are imposed or levied.
(11) The corporation is prepared to accept offers for the sale of the securities at par plus accrued interest at the applicable rates.
(12) Puttable at the option of the holder on August 17, 2005 on ten business days' notice (BCCMTN-70).
(13) Callable by the issuer and puttable by the holder on any quarterly interest payment date on 30 days' notice (BCCMTN-75).
(14) Redeemable on October 15 or April 15 prior to maturity at par upon presentation of the bond.
(15) Redeemable at option of issuer January 1, 2007 on 90 days notice (PRP-1).
(16) Callable at par on March 1 and September 1 of each year on or after March 1, 2001 on 25 days notice (BCCMTN-48).
(17) Coupon will be 5.4% to December 4, 2002 and 7% thereafter to maturity (BCCMTN-74).
(18) Callable seven years prior to maturity or anytime thereafter at par on 30 days notice (Hydro Guaranteed issues).
(19) Extendible, at the option of the holder, to May 15, 2021 at 9.95%, from May 15, 1996 to 1999 exercisable March 15 to April 15, in the years 1996 to 1999.
(20) Assumption by province of debt obligations of David Thompson University Centre.
(21) Callable annually beginning on and including April 3, 2000 (BCCMTN-51).
(22) Puttable at the option of the holder December 4, 2002 (BCCMTN-64).
(23) Payable in US Currency at maturity.
(24) Redeemable at par by the Province on any anniversary date from July 10, 2000 to July 10, 2008 on 25 days notice. (BCCMTN-66)
(25) Coupon is payable in US dollars.
(26) Callable at par August 24, 2000 only and every six-month anniversary thereafter on 25 calendar days' notice.
(27) Callable at par August 5, 2003 only, with not more than 14 or less than 7 calendar days notice (BCCMTN-86).
(28) Callable at par on December 14, 2000 and every coupon payment date thereafter, on 10 days' notice. If not called, step-up coupon increases June 14, 2001 and every 2 years to June 14, 2005, then every year to maturity (BCCMTN-81).
(29) Puttable by the investor June 19, 2006 at a price of $98.910 plus one day of accrued interest (BCCMTN-83).
(30) A portion of this issue is defeased. (See following Table.)

DEFEASED DIRECT AND FISCAL AGENCY DEBT OF THE PROVINCE OF BRITISH COLUMBIA

Series	Date of Maturity	Year of Issue	Interest Rate	Amount Outstanding March 31, 2000		References
			(percent)	(millions of Cdn. dollars)		
Canadian Dollar Issues						
BCCMTN-17	August 3, 2000	1993	7.00		19	(2) (30)
BCCD-B	August 16, 2000	1990	11.25		1	(2) (30)
BCCMTN-54	August 16, 2000	1995	7.25		3	(2) (30)
BCEC-8	February 19, 2001	1991	10.75		20	(1) (10) (30)
BCCD-H	August 29, 2001	1991	10.15		5	(2) (30)
BCCMTN-72	November 5, 2001	1998	4.85		23	(3) (30)
BCCD-J	January 9, 2002	1992	9.00		66	(2) (30)
BCEC-14	March 4, 2002	1998	5.25		34	(1) (10) (30)
BCCG-1	June 16, 2003	1993	7.75		18	(2) (10) (30)
BCCMTN-20	December 22, 2003	1993	7.00		20	(2)
BCCMTN-22	February 3, 2004	1994	6.50		30	(2) (30)
BCCD-S	June 21, 2004	1994	9.00		30	(2) (30)
BCCMTN-29	August 16, 2004	1994	9.125		5	(2)
BCCMTN-67	December 10, 2004	1997	5.25		2	(2) (30)
BCEC-12	September 21, 2005	1993	7.25		18	(1) (10) (30)
BCCD-V	June 9, 2008	1997	6.00		3	(2) (30)
BCCD-D	February 21, 2011	1991	10.75		13	(2) (30)
BCCD-K	January 9, 2012	1992	9.50		71	(2) (30)
BCCMTN-44	August 23, 2013	1995	9.60		3	(2) (30)
BCCD-N	August 23, 2013	1993	8.50		37	(2) (30)
BCCMTN-53	August 23, 2013	1995	8.50		12	(2) (30)
BCCD-Q	June 9, 2014	1994	7.50		6	(2) (30)
BCCMTN-34	June 9, 2014	1994	9.625		14	(2) (30)
BCCMTN-38	June 9, 2014	1994	9.60		1	(2) (30)
BCEC-13	November 30, 2023	1993	7.875		5	(1) (10) (30)
CPP Issues	various	1980/92	9.04–17.51		381	(2) (9) (30)
Other[1]	August 23, 2005/ August 23, 2013	1995	8.00–9.25		1	(2) (30)
				CDN$	841	
U.S.						
BCEUS-2	February 5, 2003	1993	5.50–8.00		27	(1) (10) (30)
BCEUS-4	June 11, 2007	1997	7.125		40	(1) (10) (30)
Total Issues in US Dollars				US$	67	
Exchange Premium (including Hedge)					23	
U.S. Issues at Canadian Dollar Equivalent				CDN$	90	
French Franc						
BCEFF-1	January 30, 2007	1996	6.25	FFR	95	(1) (10) (30)
BCEFF-2	July 15, 2009	1997	5.875		269	(1) (10) (30)
					364	
Exchange Premium (including Hedge)					(276)	
French Franc Issues at Canadian Dollar Equivalent				CDN$	88	
Sterling						
BCES-1	December 31, 2003	1996	7.50	GB	9	(1) (10 (30)
Exchange Premium (including Hedge)					10	
Sterling Issues at Canadian Dollar Equivalent				CDN$	19	
Deutschemark						
BCEDM-1	July 21, 2010	1998	5.125	DM	47	(1) (10 (30)
Exchange Premium (including Hedge)					(9)	
Deutschemark Issue at Canadian Dollar Equivalent				CDN$	38	
Total Defeased Direct and Fiscal Agency Debt				CDN$	1,076	

[1] BCCD-U, August 23, 2005 — 8.00% issued in 1995 (0.2 million) and BCCMTN-50, August 23, 2013 — 9.25% issued in 1995 (0.4 million).

Appendix G: Debt Management Parameters

The following is a discussion of debt management parameters which form key considerations in the management of the government's debt.

1. Avoid funding under unfavourable market conditions

Provincial Treasury will typically manage its funding program ahead of actual requirements, thus mitigating the risk of accessing the market when interest rates are high or market conditions are not receptive to new financings. While Provincial Treasury relies on its outlook for interest rates and foreign exchange to guide the timing of its decisions for financing, fixed rate debt costs are generally "averaged-in" over the course of a year. Financing a large annual borrowing requirement strictly in accordance with a market outlook which may prove to be incorrect is considered to be imprudent.

In addition, Provincial Treasury has instituted measures to help safeguard against the possibility of severe financial market volatility which could hinder the government's financing ability. These measures include:

- containing the size of outstanding short-term debt through use of long-term floating rate debt. This increases the government's capacity for short-term financing if long-term debt markets become unfavourable;
- using the warehouse borrowing program from time to time to take advantage of attractive borrowing opportunities in advance of actual requirements;
- arranging a US $1.0 billion internationally-syndicated backup line of credit. This is a standby facility to backup the province's short-term borrowing program. The federal government and other major provinces have set up similar facilities; and
- using borrowing proceeds opportunistically to purchase high-quality investments and to generate profit for the government's matched book program. The investments are available to the government in the event of a capital market crisis.

2. Minimize risk of refinancing maturing debt

The orderly retirement of future debt obligations without incurring undue refinancing risk is important for minimizing interest costs. To this end, the government deliberately issues its debt securities across the full range of terms from one to 40 years. A broad mix of debt maturities avoids "crowding" of refinancings in any year and further reduces the government's exposure to future interest rate risk. As a result of this policy, the province's refinancing schedule is well-balanced, with an average level of annual net maturities over the next 10 years of C $1.7 billion (see Chart 3).

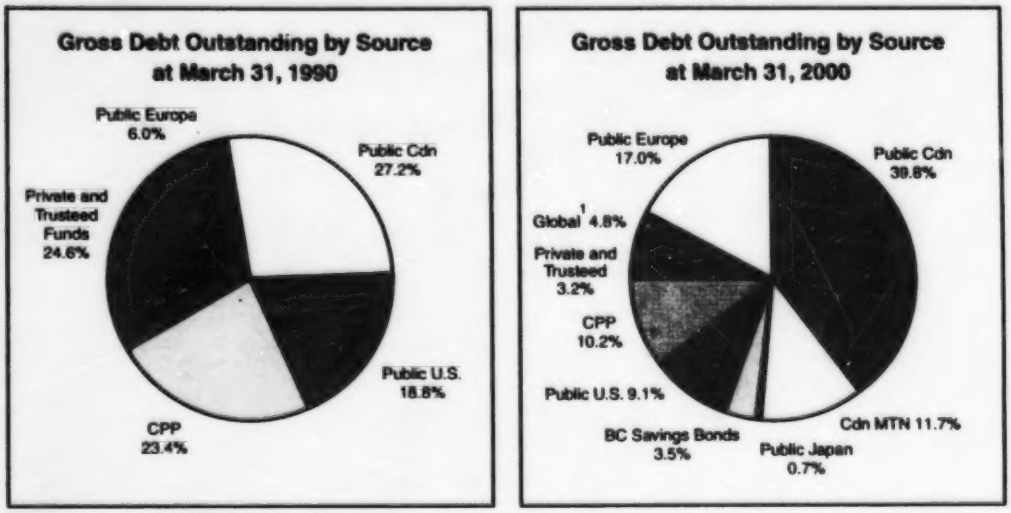
3. Diversifying funding sources to reduce debt costs

Borrowing sources are diversified to cultivate strong domestic and international investor demand for British Columbia debt securities; strong demand helps minimize financing costs for the government. A broad investor base is also important, given the increased competition for funding and the need for multiple funding sources in the face of sometimes difficult and volatile capital markets.

British Columbia borrows from a variety of sources, including public financial markets in Canada, the United States, Europe and Asia; the Canada Pension Plan Investment Fund (CPP); private institutional lenders; and provincial trusteed funds. Chart 9 shows that, compared to 1990, borrowing sources have shifted away from CPP and private loans towards issuance in public capital markets. Over the past five

years, international borrowings have generated significant savings over the cost of funds available at the time from the domestic market (these savings have totaled approximately C $24 million on a present value basis).

CHART 9



[1] A global debt security is offered simultaneously to investors in Canada, the U.S., Europe and Asia.

4. Foreign currency exposure is managed within conservative limits

From time to time, the province issues debt denominated in foreign currencies. The cost of repaying and servicing foreign currency denominated debt varies, in Canadian dollar terms, with the changes in the value of the Canadian dollar relative to other currencies. The exposure of the government's debt portfolio to changes in the value of the Canadian dollar can be effectively offset through various financial instruments including currency swaps.

The Risk Committee has set the maximum allowable foreign currency exposure for government direct debt and the debt incurred for education, health facilities and public transit at 10 percent of net debt outstanding. U.S. dollar exposure was approximately 3.4 percent or US $519.7 million and Japanese Yen exposure was 4.0 percent or ¥ 61.0 billion as at March 31, 2000.

Among the Crown corporations, only British Columbia Hydro and Power Authority (B.C. Hydro) carries U.S. dollar debt exposure. B.C. Hydro's U.S. dollar debt obligations are largely hedged through B.C. Hydro's U.S. dollar revenue inflows, as well as through other financial hedges entered into over the past few years. B.C. Hydro's unhedged U.S. dollar debt exposure was 34.7 percent of its net debt as at March 31, 2000, within the 16 to 36 percent authorized limit set by B.C. Hydro's board of directors.

5. Prudent use of financial products

Subject to parameters set by the Risk Committee, Provincial Treasury uses financial products for hedging interest rate and currency risks associated with the existing debt portfolio and new borrowings. These financial products, or financial derivatives, are not used in a speculative manner, but rather are matched

against specific debt obligations to balance the overall mixes of fixed- and floating-rate debt and currency exposure for the debt portfolios. In this manner, the province is provided with a sufficient degree of flexibility for raising funds, while ensuring that variation in the annual costs of debt servicing and repayment is maintained within a tolerable range.

The ability to offset or hedge exposures through the use of financial products lends flexibility to the funding program by:

- providing access to cost-effective Canadian dollar funding from foreign currency debt issues. Often, for example, foreign currency denominated notes issued by the province are effectively converted to Canadian dollar obligations at substantial savings compared with Canadian dollar financings in the domestic market; and
- supporting the province's strategy to "average-in" the timing and cost of its fixed-rate funding. Such financial products allow the province to access the market for funds when the market is most receptive, without having to immediately incur large amounts of fixed-rate debt. Fixed-rate financing is thus averaged-in gradually rather than incurred intermittently in large amounts.

In June, 1999, the province received legislative approval to enter into commodity derivative transactions. As is the case with financial derivatives, the province's use of commodity derivatives will be restricted by parameters set by the Risk Committee. The province will use commodity derivatives to reduce the risks associated with the purchase and sale of commodities by the government and its Crown corporations and agencies.

The market value of derivative instruments changes as the underlying hedged debt securities change in value, impacted by interest rate and foreign exchange movements. The change in value of hedged securities will move in an equal and opposite direction to the related derivatives. Accordingly, in isolation from valuation of the underlying debt portfolio, the market value of the derivative portfolio has little meaning, save as an important measure of the replacement cost that would be paid or received to terminate the derivative agreements.

The province is subject to risk of default by the counterparty under the terms of a financial products transaction. For this reason, the Risk Committee sets restrictive and high credit criteria for qualifying acceptable counterparties with due regard to the market value or replacement value cost of derivative exposures. Furthermore, the counterparty credit agreements which have been negotiated with financial institutions provide legal and business protection to mitigate risk in favour of the province.